

FOR RELEASE IN AM'S OF MONDAY, JUNE 22, 1964  
FROM THE SENATE INTERNAL SECURITY SUBCOMMITTEE

SENATE STUDY UNDERSCORES GRAVITY OF SOVIET ECONOMIC CRISIS: SENATOR DODD SAYS  
SOVIET CRISIS MAKES EAST-WEST TRADE POTENTIAL INSTRUMENT OF DIPLOMACY; CALLS  
FOR NATO CONFERENCE TO CONCERT WESTERN POLICY

Washington, June 22 - The Senate Subcommittee on Internal Security today released a symposium entitled "The Many Crises of the Soviet Economy." The study carried an introduction by Senator Thomas J. Dodd, Vice Chairman of the Subcommittee, relating the crisis in the Soviet economy to the question of East-West trade.

The symposium consists of a series of studies dealing with agriculture, industry, quality control and the contraction of the raw materials base in the Soviet Union. In his opening comments, Senator Dodd said that the purpose of the symposium was "to make available certain background facts on the state of the Soviet economy, because this knowledge is essential to an intelligent consideration of the entire question of East-West trade."

In his introduction, Senator Dodd summarized some of the highlights documented by the articles contained in the symposium. These are some of the points made in the Senator's summary:

(1) "The Soviet economy is afflicted by not one but many crises. In addition to the crisis in agriculture, there is the general crisis in industry; there is the special crisis in quality control; there is the raw material crisis resulting from the contraction of the Soviet raw materials base; there is the crisis in planning; and, above all and pervading everything, there is the crisis resulting from the lack of human incentive."

(2) "These crises persist from year to year because they are inherent in the very nature of communism. Indeed, they appear to grow from year to year, in the manner of compound interest, because the damage wrought in one year in one sector of the economy finds expression in enhanced form in other sectors of the economy at a later date."

(3) "In 1961, 193,000 tractors were reported to be inactive because the requisite repair parts were not available. In the same year, 21,000 grain combines and 20,000 forage harvesters had not been repaired by harvest time because of a shortage of parts."

(4) "In 1962, corn made up 28 percent of the entire area sown to grain crops. Of the 37.2 million hectares of corn, only 7 million hectares were harvested as grain, the remaining 30 million hectares being cut green for silage."

(5) "Collective farm regulations permit every family on the farm to have a private plot of land not exceeding one-half hectare, one cow, one pig, and a handful of sheep, goats, and poultry. In 1961 these private plots accounted for 3.3 percent of all the land under cultivation in the U.S.S.R. In that year the Soviet state received from this 3.3 percent of its farmland, 26 percent of all potato deliveries, 34 percent of all eggs, 15 percent of all wool, 14 percent of all meat and poultry, 7 percent of its green vegetables."

(6) "We learn from the Soviet press that repair of existing machine tools occupies 3.5 times as many people as are actually employed in manufacturing new units; that electric motors, during their first year of life, spend 30 to 40 percent of their total working time undergoing repairs; that at any given time not less than 40 percent of all vehicles in the Soviet Union are idle awaiting repairs."

(continued)

(7) "In any normal civilized country, the general experience is that the quality curve of complex products rises from year to year as weaknesses are eliminated and design and methods of manufacture improve. In the Soviet Union the reverse is the case. Thus, a study of television failures during the guarantee period of 6 months after sale, revealed that the quality of sets has been deteriorating. In 1960, the percentage of failures during the first 6 months attributable to defective tubes was 47 percent. In 1961 it was 52 percent. And in 1962 it rose to 61 percent."

(8) "The quality of Soviet electronic equipment is so low that the Soviets prefer to trust the safety of their TU-104 and IL-18 airliners to British-made navigation equipment ... even a Czech-produced Mig 15 fighter which crashed in West Germany was equipped with West German electronic equipment."

(9) "Instead of catching up with the West, and becoming less dependent on it, Soviet industry seems to be lagging further and further behind the West and to be growing more dependent on it. This is so because the technological explosion of the past decade has made modern industry more dependent than ever on ultra-high precision and on the instruments capable of assuring such precision, on rigid standards of quality control, on sophistication of design and painstaking workmanship. These are precisely the areas where the Soviet Union is weakest and where the Soviet system raises the greatest obstacles to progress."

(10) "The crisis in Soviet industry has been aggravated by the growing crisis in the Soviet raw materials base. Copper, tin, nickel, and lead are among the critical metals now in extremely short supply. . . . The average quality of new mineral deposit discovered in the Soviet Union has been dropping rapidly, and most of them are being found in the remote areas where development costs are high. . . . In April, 1963, the Moscow periodical Gornyy Zhurnal complained in these words: 'We cannot allow a ton of extracted polymetallic ore in the capitalist world to produce 90 to 250 kilograms of metal and bring in huge profits, while our ore produces only 40 to 85 kilograms of metal and great losses.'

Senator Dodd said that these facts suggest that increased East-West trade "may well be a matter of survival" for the Communists. Because of this, he said, "there is every reason to believe that a firm attitude on the part of the West will produce political concessions on the part of the Soviets." The Senator said that, as a condition of increased trade and credit, we should insist that the Soviets bring a halt to their subversive activities in this hemisphere and elsewhere; that they respect the International Patent Convention; and that they live up to their post-war agreements on Europe.

"The possibilities before Western diplomacy are limitless," said Senator Dodd, "if we are prepared to use our economic bargaining power as an instrument for the extension of freedom. Within such a framework, increased East-West trade could be a boon to all the peoples of the world. Increased East-West trade, conversely, may turn out to be a curse if the West is foolish enough to give it to the Communist bloc on a platter, demanding nothing in return. The outcome of every diplomatic negotiation will be compromised in favor of the Soviets. The Soviets will be further emboldened by the lack of conditions and by the impression of Western timidity to step up their subversive activities, while enjoying the benefits of increased trade."

Senator Dodd called for a conference to NATO nations to concert Western policy on East-West trade. He warned that "if East-West trade is treated by each nation as a matter for unilateral decision, not merely will the West deprive itself of its greatest single instrument of leverage in future negotiations with the Soviets, but the unlimited competition implicit in such a situation will create grave dangers to Western security."

\*\*\*\*\*